

# FISCAL NOTE

**Bill #:** HB0795

**Title:** Revise laws related to transportation and fuel taxes

**Primary Sponsor:** John E Witt

**Status:** As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
State Special Revenue	\$47,258	\$82,432
<b>Revenue:</b>		
State Special Revenue	(\$3,221,715)	(\$6,702,816)
<b>Net Impact on General Fund Balance:</b>	\$0	\$0

<input type="checkbox"/> Significant Local Gov. Impact	<input type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

## Fiscal Analysis

### ASSUMPTIONS:

#### Fuel Tax Refunds

1. 60 percent of gasoline and special fuel tax would be refunded to an applicant when they hauled qualified agriculture commodities on public highways and roads.
2. There are three separate groups that will be eligible for the refund: 1) farmers and ranchers, 2) commercial haulers, and 3) small businesses.
3. In 2004, 23,124 Schedule F returns (Farm & Ranch) were filed with the Department of Revenue.
4. In FY 2004, 7,776 returns were filed with the Department of Transportation for agricultural refunds.
5. The total average agricultural refunds per year for gasoline and special fuel was \$3,469,074. Under present law, up to 60 percent of the motor fuel tax is refunded to farmers and ranches.
6. It is assumed that 60 percent of the remaining 40 percent of the fuel tax will be refunded or \$1,388,506 or an average refund of \$178.57 per applicant ( $\$1,388,506 / 7,776 = \$178.57$ ). The average is multiplied by the number filing Schedule F returns in Montana. The estimated total refund for ranchers and farmers is \$4,129,253 ( $\$178.57 \times 23,124 = \$4,129,253$ ).
7. The commercial haulers transport timber, livestock, grain, hay, poultry, ethanol, and other products that are raised or grown in Montana.
8. The refunds estimated for the haulers are twice the dollar amount of the agricultural refunds or \$2,777,012 ( $\$1,388,506 \times 2 = \$2,777,012$ ).

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9. The small businesses will be 20 percent of the total amount refunded to farmers and ranchers or \$825,851 ( $\$4,129,253 \times 20\% = \$825,851$ ).
10. The total estimated revenue loss to the highway special revenue account per year is \$ 7,732,116 ( $4,129,253 + 2,777,012 + 825,851 = \$7,732,116$ )
11. The agriculture refunds go into effect on January 1, 2006. It is assumed that the refunds will be paid out the month following the hauling was incurred and at an even rate.
12. The department will need 1.00 FTE in FY 2006 and 2.00 FTE in FY 2007 plus associated start-up costs to implement the bill and process the refunds.

### Motor Carrier Services - Permits

13. The Shelby weight permit is the only basis in current law for estimating HB 795 permit volume and revenue. The Shelby permit is sold in 25-mile increments at an average cost of \$23.50 per increment.
14. During calendar year 2004, Motor Carrier Services (MCS) sold 2,190 Shelby permit increments at \$23.50 per increment for a total of \$51,465.
15. The average cost of a HB 795 permit will be \$23.50 per 25-mile increment.
16. MCS assumes that 1,000 miles of Montana's non-interstate highway system will be approved for travel at weights authorized by HB 795. 1,000 miles equals (40) 25-mile increments.
17. MCS assumes that each new increment of highway made available under HB 795 will result in 2,190 additional incremental permit sales at \$23.50 per increment.
  - a.  $2,190 \text{ (Shelby incr)} \times 40 \text{ (new increments)} \times \$23.50 \text{ (per increment)} = \$2,058,600 \text{ (new permit revenue)}$ .

### FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	1.00	2.00

### Expenditures:

Personal Services	\$41,216	\$82,432
Operating Expenses	<u>\$6,042</u>	<u>\$0</u>
TOTAL	\$47,258	\$82,432

### Funding of Expenditures:

State Special Revenue (02)	\$47,258	\$82,432
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### Revenues:

State Special Revenue (02)	(\$3,221,715)	(\$6,702,816)
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### Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02)	(\$3,268,973)	(\$6,785,248)
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### LONG-RANGE IMPACTS:

1. The highway special revenue account would see similar reductions in the future.
2. Depending on the number of routes approved by the department, there would be a significant increase in the deterioration of Montana's highways and bridges. Currently, 57 percent of Montana's bridges (scattered across the state) are not designed to withstand the heavier loads allowed by this bill. It is estimated that the heavier loads would cause 60 percent more damage to pavement than current legal limits and that these heavier loads would reduce the serviceable life of the pavement.

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TECHNICAL NOTES:

1. Based on how the bill is written, the department has no way to develop procedures that would prohibit a refund or to validate information sent in to deter fraudulent refund requests.